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ECONOMIC STIMULUS ACT OF 2008
BUSINESS INCENTIVES

On February 13, 2008, President Bush signed into law the "Economic Stimulus Act" of 2008. There has been a lot of publicity, including information in our Client Alert dated February 14, 2008, about the tax rebates (stimulus payments) which will be sent to an estimated 130 million people, starting in May 2008.

The legislation also included several business incentives:

- ❖ Enhanced expensing of equipment, furniture, etc. Prior to the law change a business could generally elect to deduct, in the year placed in service, up to \$128,000 of such purchases. Under the new law, for assets purchased and placed in service in years beginning after December 31, 2007, a business can elect to deduct up to \$250,000 of such purchases. The new limit doesn't begin to phase out until the business has acquired over \$800,000 of such assets in anyone year.
- ❖ The new law provides for 50% bonus depreciation for certain assets acquired by businesses and placed in service after December 31, 2007 and before January 1, 2009. This date is extended to January 1, 2010 for certain transportation property and aircrafts.
- ❖ Luxury autos (auto's costing more than \$15,100) purchased and placed in service in 2008 will be eligible for 1st year depreciation of up to \$11,060 (\$11,260 for vans or light trailers).

In addition to the above, the Economic Stimulus Act of 2008 also provided some mortgage relief by allowing more flexibility to mortgage companies and more accessibility to the mortgage market for homeowners who need to refinance to stay afloat. While the provisions are technical adjustments to mortgage regulations, the anticipation is more homeowners will be able to refinance or renegotiate their mortgages.

February 22, 2008

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